

English

CDI CALIFORNIA DEPARTMENT
OF INSURANCE



AUTOMOBILE

INSURANCE

1-800-927-HELP (800-927-4357)

www.insurance.ca.gov

T.D.D. 800-482-4TDD (800-482-4833)

Automobile Insurance

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Automobile Insurance

Automobile insurance is an often misunderstood insurance product. Since the Department of Motor Vehicles (DMV) requires liability insurance in order to register and operate a vehicle, it is of great importance to purchase and to fully understand your automobile insurance policy.

This brochure will provide you with the information to answer the following questions:

- Who requires you to be financially responsible?
- What could happen if you ignore the law?
- When must you provide proof of insurance?
- Why it is all up to you?
- Where do you call if you need assistance?



This brochure provides information to help you understand the various automobile insurance coverages. It will assist you in discussing your automobile insurance needs, asking informed questions, and understanding just what your insurance company or agent/broker is suggesting when you shop for insurance.

Know Your Rights and Responsibilities

WHAT IS AUTOMOBILE INSURANCE?

Automobile insurance is simply a contract that helps pay for certain types of financial losses or obligations resulting from the use or ownership of an automobile. To obtain this contract (insurance policy), you pay a specified amount of money called a premium. In return for the premium paid, the insurance company agrees to pay certain expenses and legal liabilities depending on the terms of the insurance policy. Having the right insurance coverage may prevent you from suffering a large financial loss in the event of an automobile accident.

The responsibilities of owning and driving an automobile include following the financial responsibility laws under the Vehicle Code. The most common way to satisfy the financial responsibility for operating an automobile in California is by purchasing automobile liability insurance.

If you choose to meet your financial responsibility by purchasing liability insurance, the DMV outlines minimum limits that you must purchase under Section 16451 of the Vehicle Code.

FINANCIAL RESPONSIBILITY LAWS

The statutory minimum limits of liability insurance in California* are as follows:

Bodily Injury Liability

- \$15,000 for death or injury of any one person, any one accident.
- \$30,000 for all persons in any one accident.

Property Damage Liability

- \$5,000 for any one accident.

There are four ways to accomplish financial responsibility:

1. Coverage by a motor vehicle or automobile liability insurance policy;
2. A cash deposit of \$35,000 with the DMV;
3. A certificate of self-insurance issued by DMV to owners of fleets of more than 25 vehicles; or
4. A surety bond for \$35,000 obtained from an insurance company licensed to do business in California.

All California drivers and owners must have at least the statutory limits of minimum liability insurance or an approved alternative way to pay for injury or property damage they may cause.* Penalties are very severe for non-compliance with this section of the vehicle code.

When your car is in an accident for which you are found legally liable, bodily injury (BI) liability covers your liability to others for injuries to them. Property damage (PD) liability covers your liability for damage to someone else's property.

A policy with BI of \$15,000/\$30,000 and PD of \$5,000 will pay out as follows:

- The maximum limit for one person's injuries, medical expenses, etc. is \$15,000 under the bodily injury portion;
- If two or more people are injured, the maximum limit for the accident will be \$30,000;
- The maximum limit for damage to other people's property (their car, their fence, etc.) is \$5,000.

Comprehensive coverage (other than collision), uninsured motorist, medical payments and collision insurance are not required by law.

**See page 8 for California Low Cost Automobile Insurance exception.*

What Could Happen if I Ignore This Law?

The most common way drivers choose to comply with the financial responsibility requirement is by purchasing an automobile liability insurance policy. If you have an accident not covered by insurance, then your license may be suspended. It is your responsibility to provide liability insurance for any vehicle you own regardless of who is operating the vehicle. It is illegal for vehicles to be operated without meeting the requirements of this law.

WHEN MUST YOU SHOW PROOF OF INSURANCE?

The Legislature passed a law requiring motorists to produce proof of insurance before the DMV renews the vehicle registration. The new legislation also requires motorists to display proof of insurance when they are stopped by a police officer for traffic violations. Drivers who can't do so may be subject to fines and other penalties.

Proof of financial responsibility must be shown when you:

- Are asked for it by a law enforcement officer;
- Have an accident;
- Register your car or renew its registration; or
- Get your car inspected

How Do I Prove I Have Insurance?

Your insurance company will send you a proof of insurance card listing the covered automobiles and drivers and showing the policy number and expiration date. Your policy or a temporary binder also is acceptable evidence of insurance.

What Happens if I Don't Carry Insurance?

In California, driving without insurance is a serious offense. Failure to show proof of insurance when requested may result in fines or a suspended license. Remember, driving is a privilege ... not a right. If you are stopped by a police officer and asked for proof of insurance and you can't produce it, you may receive a citation. You can have the ticket nullified by showing proof of insurance in court. You could, however, be assessed an administrative fee for expenses.

WHY IS IT ALL UP TO ME?

It is not the responsibility of the company or agent/broker to determine either the type or amount of coverages you need. You and the agent/broker should have an open exchange about the coverages that are available so that you can determine what best fits your needs. The time to discover that you do not have the necessary coverage is before you are involved in an accident, not after.

Now that you know what California Law requires, you should determine whether you need coverage above the legal minimum in order to protect your assets. "How much is this going to cost me?" should not be the only question in deciding how much insurance you need. There are a variety of options regarding types of coverage and policy limits so you should shop carefully.

Ask yourself: Do I need higher limits?

Since you may be personally responsible for damages above the policy limits, you should consider purchasing liability insurance with higher limits than the minimum required by law. With the increased cost of hospital stays, medical care, and car repair, it may be well worth considering the extra premium to purchase higher limits of coverage.

THE STATE OF CALIFORNIA'S LOW COST AUTO INSURANCE PROGRAM

The California Low Cost Auto Insurance program is designed to reduce the high number of uninsured drivers. The program provides low-income good drivers with an affordable auto insurance option which satisfies California's financial responsibility laws. The program is available to qualified persons living in eligible counties.

Briefly, the qualifications are based primarily upon:

- Household income
- Good driving record
- Vehicle value at time of purchase

To find out more about the program and see if you are eligible call:

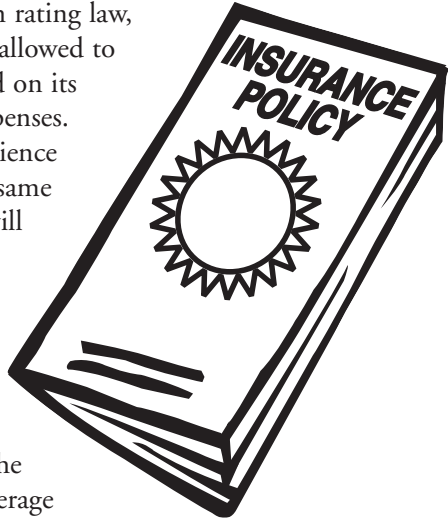
California Low Cost Automobile Insurance Program
(866) 60-AUTO-1
(866) 602-8861

(This program is brought to you by the California Department of Insurance and administered by the California Automobile Assigned Risk Plan.)



WHY SHOULD I SHOP AROUND FOR AUTOMOBILE INSURANCE?

Under California's premium rating law, each insurance company is allowed to calculate its own rates based on its past loss experience and expenses. Since each company's experience will differ, even within the same geographic area, the rates will therefore differ. By calling several companies, or brokers/agents for a rate comparison, you can potentially save money. You will then be able to choose the company with the best available price and coverage to suit your individual needs. There are many sources you can contact to evaluate policies and premiums. Your local telephone directory and the Internet can provide names and telephone numbers for the following organizations:



- Independent insurance brokers/agents;
- Company agents who represent one company;
- Direct writers: insurance companies that sell direct to the public;
- Web sites.

It is important to get quotes from different companies. You may not realize it, but the insurance rates you pay for your car can vary dramatically depending on the insurance company you choose. You should always compare before deciding on a policy.

Selecting a Broker-Agent

Choosing a qualified, professional insurance agent can be as important as choosing your doctor, your accountant, or any other professional upon which you rely. If you are selecting an agent or broker for the first time, your best resources are your relatives, neighbors, co-workers, as well as professional broker-agent associations.

When selecting a broker-agent, you may wish to verify the producer's licensing status with the California Department of Insurance (CDI). You can check a producer's license on the CDI's Web site www.insurance.ca.gov, or you can reach our Department at the contact information given under the "Talk to Us" section at the end of this brochure.

CDI's **Producer Licensing Bureau** is responsible for issuing insurance licenses and administering continuing education requirements for producers. As of January 1, 1997, all agents are required to include their license number on business cards, premium **quotations**, and printed advertisements. This will enable you to check the status of their license with our Department.



The following are excellent questions to ask your relatives, neighbors, or co-workers about their producer when selecting someone to protect you, your family, and your assets from a potential financial loss:

- Have they had a recent claim?
- How did the producer and/or the insurer respond to the claim?
- Has the producer been courteous and prompt in responding to their questions and changes to their policies?
- Did the producer take the time to fully explain the terms and conditions of their policies?
- Does the producer periodically contact them to update coverage?

It is critical that you choose a producer with whom you feel comfortable. You need to be able to have an open exchange about the **coverages** and services that are available, so you can determine what best fits your needs. It is not the responsibility of the broker-agent to determine either the type or amount of coverage you need, so good communication is the key.

Broker fee disclosure and agreement

To charge a broker fee, a broker must have you sign a broker fee agreement, and must give you a special broker fee disclosure. Be sure to read and obtain copies of both of these documents.

Policy Rights

When I Apply for Insurance, What Kind of Information is Obtained?

Your insurance company or **agent** will require that you disclose certain personal information on the **application** to determine your eligibility for insurance coverage and establish the price of coverage. If you are applying for automobile insurance, the company will collect information such as your driving record, use of automobile, mileage driven, and years of driving experience.

For automobile insurance, most insurance companies will order a Motor Vehicle Report (MVR) for all the drivers listed on the insurance application. The MVR is the state's official record of driving information obtained from the DMV. It is used to verify accidents, traffic violations and license suspensions for all potential drivers listed on the application.

A California Insurance Proof Certificate (**SR22**) filing is required in cases of unsatisfied judgments, major convictions, license suspensions and failure to have liability at the time of an accident. Your insurance company files this form with the DMV. The filing requirement period can be up to three years. Most major convictions of traffic offenses, such as hit and run, reckless driving, and driving under the influence will remain on your record for seven years from the violation date. Most minor convictions will remain on your record for three years.

The SR22 form should not be confused with the **SR1** form, which is the California Traffic Accident Report Form. Whenever you are involved in an accident, the DMV requires that you file the SR1 form within ten days of the accident date, if there is any bodily injury, or property damage that exceeds \$750.

WHAT OTHER COVERAGES ARE AVAILABLE?

Insurance companies must offer the following coverage with every automobile policy:

- ***Uninsured / Underinsured Motorist***

Provides liability insurance when the party at fault does not have the state required minimum liability coverage, or the minimum liability coverage is insufficient to cover the injuries sustained in the accident. Likewise, uninsured motorist property damage covers possible reimbursement for damages your car sustains (BI and PD).

Most insurance companies will also offer the following optional coverages:

- ***Medical Payments***

Provides for the payment of medical and similar expenses without regard for liability.

- ***Physical Damage*** (collision and comprehensive):

Neither of these cover mechanical breakdown or normal wear and tear. Collision covers damage to your vehicle caused by collision with another vehicle or with any other object, regardless of fault. Collision insurance covers vehicle upset (overturn), but does not cover bodily injury or property damage liability. Comprehensive coverage covers damage to your car caused by reason other than collision, such as fire, theft, windstorm, flood, vandalism, etc.

- ***Endorsements/Riders***

Special equipment (i.e. after-market additions such as premium stereos, tires, and other misc. equipment), towing, and rental reimbursement.

WHAT ELSE SHOULD I KEEP IN MIND?

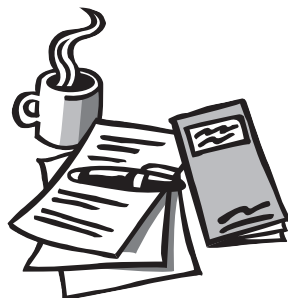
- Inquire about discounts (such as multi-car, airbags, anti-theft device, etc.) and/or surcharges the company applies. All companies will not offer the same type of plans, nor have the same underwriting rules (eligibility/acceptability guidelines). Therefore, it is critical to ask for this information.
- Make sure you know the length of the policy term. This can be one month, six months (semi-annual) or one year (annual), depending on the insurance company.
- Many companies have their own payment (installment) plans which allow you to pay the premium over a period of time for a service fee. If you decide to buy a policy on an installment plan, find out the applicable finance or service charges. If you use a premium finance company to pay for your insurance, the monthly payments may be easier, but the total of payments will be larger. Moreover, if the policy is cancelled, the insurance company must remit all return premiums to the finance company, who will apply them to your account.
- Check to see if you are responsible for paying any up front fees. Sometimes insurance companies charge policy issuance fees. Once the policy is issued, this fee is generally fully earned. If the policy is canceled later, the fee will not be returned.
- Ask about higher deductibles. By requesting higher deductibles on comprehensive and collision coverage, you can lower your costs. However, remember that the deductible you choose is what you are responsible for paying up front in the event you file a claim against your automobile insurance policy.
- Should you drop comprehensive and/or collision coverage on an older car? It may not be cost-effective to have comprehensive or collision coverage on cars worth less than \$1,000 because any claim you make would not substantially exceed the annual premium cost and deductible amounts.

- A broker's fee must be agreed upon in advance. If you choose a broker to place your coverage, ask about the broker's fees. These fees should be disclosed and agreed upon before finalizing the insurance transaction. Remember, broker's fees are in writing, not filed with the state, and are fully negotiable. If the policy is canceled for any reason, the broker's fee is generally not refunded.
- Review the territorial provisions of your policy with respect to driving in Canada and Mexico. Generally, Mexico does not recognize liability insurance issued in California. If you are involved in an accident in Mexico, you are subject to Mexican legal requirements. Therefore, it is strongly recommended that Mexican insurance be purchased prior to entering that country. Some California issued policies do extend limited physical damage (comprehensive and collision) coverage on vehicles for a limited distance while operating in Mexico.
- Most automobile insurance policies provide coverage for other licensed drivers to drive your vehicle on an occasional basis. As coverage can extend differently to you as compared with an occasional driver, it is critical to read and understand your policy terms and provisions before allowing others to drive your vehicle. Check with your agent/ broker or company for the details. It is a common practice for insurance companies to exclude a driver from your policy for a variety of legitimate reasons under the law. Such driver exclusions must be stated in the policy or by endorsement. Your coverage is not valid while a specifically excluded driver is allowed to drive your vehicle. Be aware of all policy driver restrictions.
- If you anticipate acquiring a new, replacement, or additional vehicle, contact your agent/broker or company prior to taking possession. It is necessary to determine what coverage will be extended and what coverage will have to be added to your existing policy. If the new vehicle is financed, also check with the lender for their insurance requirements.

- When renting a vehicle, the automobile rental companies hold the renter responsible under the rental agreement for damage to their vehicle. They normally offer a Damage Waiver at an additional cost. This is not insurance, but a contractual agreement between the renter and rental company. Therefore, if a waiver is not purchased, review your own automobile policy to determine if any extension of coverage applies. Also, determine how the liability coverage afforded by your policy applies in the event you are at fault in an accident with the rented vehicle.
- Personal effects and equipment such as cellular telephones, compact discs, tape players, and recorders that are not permanently installed in the vehicle by the manufacturer generally are not covered, unless specifically declared and added to the policy.

WHAT INFORMATION DO I NEED TO HAVE READY WHEN I GET A QUOTE?

You need to know what coverages you want, what limits of liability you require, and what deductibles you desire. Also, you need to have the following basic information available on all drivers in your household:



1. All drivers' names, ages, sex, and marital status;
2. Driving record (accidents and moving violations);
3. Annual mileage; and
4. The following information on all cars:
 - full vehicle identification number
 - year of vehicle
 - cost of vehicle
 - special equipment

Automobile Insurance Worksheet

***This worksheet can be removed
for use while shopping
for automobile insurance.***

***Please refer to pages 22 & 23
for explanation of types of coverage.***

AUTOMOBILE INSURANCE WORKSHEET

This checklist shows some of the more common coverage amounts.
Check off the coverages you want:

Bodily Injury (BI) Liability

Per Person/Per Accident

- | | |
|---|--|
| <input type="checkbox"/> \$15,000/\$30,000* | <input type="checkbox"/> \$100,000/\$300,000 |
| <input type="checkbox"/> \$25,000/\$50,000 | <input type="checkbox"/> \$250,000/\$500,000 |
| <input type="checkbox"/> \$50,000/\$100,000 | <input type="checkbox"/> Other _____ |

Property Damage (PD) Liability

- ☐ \$5,000* ☐ \$10,000 ☐ \$25,000 ☐ \$50,000 ☐ \$100,000

Uninsured/Underinsured Motorist

Minimum Limits to be offered:

- ☐ \$15,000/\$30,000 Per Person/ Per Accident - Bodily Injury
- ☐ Increased limits - Company option
- ☐ \$3,500 - Property Damage (to your vehicle)

Medical Payments

- | | | | | |
|----------------------------------|----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|
| <input type="checkbox"/> \$500 | <input type="checkbox"/> \$2,500 | <input type="checkbox"/> \$10,000 | <input type="checkbox"/> \$50,000 | <input type="checkbox"/> \$100,000 |
| <input type="checkbox"/> \$1,000 | <input type="checkbox"/> \$5,000 | <input type="checkbox"/> \$25,000 | <input type="checkbox"/> \$75,000 | |

Comprehensive Physical Damage Other Than Collision

(most common deductibles)

- ☐ \$0 ☐ \$50 ☐ \$100 ☐ \$200 ☐ \$500

Collision (most common deductibles)

- ☐ \$200 ☐ \$250 ☐ \$500

Towing & Labor included ☐ yes ☐ no

Rental Reimbursement included ☐ yes ☐ no

Special Equipment Indicate: _____ Cost: _____

Waivers _____

Exclusions _____

*Minimum liability coverage required in California. This might not be enough if you are held liable for an accident. With rising medical costs and automobile prices, you should consider buying more than the minimum limits (This does not apply to California Low Cost Automobile Insurance Program).

SHOPPING FOR AUTOMOBILE INSURANCE

Comparison Chart: This chart provides space to record the prices quoted by each company you contact for the coverages you selected.

1.	_____	_____
	Company Name	Phone Number
2.	_____	_____
	Company Name	Phone Number
3.	_____	_____
	Company Name	Phone Number
4.	_____	_____
	Company Name	Phone Number
5.	_____	_____
	Company Name	Phone Number
6.	_____	_____
	Company Name	Phone Number
7.	_____	_____
	Company Name	Phone Number

[illegible]

WHAT IF I CAN'T FIND A COMPANY THAT WILL INSURE ME?

Some insurance companies specialize in the non-standard auto market for what they consider to be high-risk drivers. Should you decide to buy in one of these markets, be sure to shop carefully because eligibility requirements and rates vary.

If you can't find a company that will insure you, you can get liability coverage through the California Automobile Assigned Risk Plan (CAARP). This plan is designed for drivers who do not qualify as good drivers and are unsuccessful in obtaining insurance from non-standard or approved surplus lines insurance companies. To apply for the plan, find a CAARP certified insurance agent or call CAARP direct (see page 35).

The plan works by taking your application and assigning it to an insurance company. All insurance companies licensed in the state must accept CAARP applicants. The amount of CAARP assignments is based on insurance company marketshare. The more automobile policies an insurance company issues, the larger the portion of CAARP assignments they are required to take.

The rates used by the plan are the same no matter what insurance company issues the policy. The plan also offers installment options. After three years with a clean driving record, consumers underwritten through CAARP can move from the program to a standard lines insurance company. No broker's fee can be charged in connection with a CAARP policy.

AVAILABLE COVERAGES ON MOST

<i>Types of Coverage</i>	<i>Pays For</i>
Liability Bodily Injury Property Damage	Your responsibility to pay for medical, death and hospital expenses including cost of repairs to other party's vehicle or property
Uninsured/ Underinsured Motorist Bodily Injury	Provides coverage for a policyholder involved in a collision with a driver who does not have liability insurance or who does not have sufficient liability limits to pay for damages
Uninsured Motorist Property Damage	Cost of repairs to your vehicle not covered by collision insurance, subject to a limit of \$3,500. UMPD coverage pays for the property damage to your car when there is a collision with an identified uninsured driver.
Medical Payments	Medical expense incurred without question of legal liability
Comprehensive Physical Damage other than Collision	Cost of repairs or the fair market value of the vehicle
Collision	Cost of repairs or the fair market value of the vehicle
Rental Reimbursement Daily limit and number of days subject to policy terms	Cost of a rental car while your vehicle is being repaired under coverage afforded by the policy
Towing	Reasonable and necessary towing and labor cost subject to policy terms

CALIFORNIA AUTOMOBILE POLICIES

Covers	Required
The insured's legal liability for bodily injury and property damage arising from ownership or use of the insured vehicle	Yes, by California Department of Motor Vehicle Code
The other party's legal liability to you for bodily injury arising from the negligent operation of their uninsured vehicle	No, but every automobile insurance company must offer uninsured motorist coverage, and they are required to have a signed waiver on file if the coverage is rejected
The other party's legal liability for property damage arising from the negligent operation of their uninsured vehicle	No, but every automobile insurance company must offer uninsured motorist coverage, and they are required to have a signed waiver on file if the coverage is rejected
All the occupants of your vehicle	No
The insured vehicle subject to the deductible	Yes, by lenders and leasing companies
The insured vehicle subject to the deductible	Yes, by lenders and leasing companies
Named Insured	No
Named Insured	No

Before You Sign on the Dotted Line...

Tips to keep in mind when you are ready to buy insurance



- Provide the drivers license numbers for all drivers in the household.
- Have vehicle registration numbers available for all vehicles in the household.
- Furnish updated driver safety records for all drivers in the household, including past accident and claim information.
- Put together insurance information in order to compare coverages, provide names of insurance companies, and give policy numbers. Ask if a broker's fee is included or if one will be charged.
- Be prepared to pay the premium in full, make a down payment, or arrange premium financing.
- Do not sign blank documents or documents you do not understand.
- Keep notes of the conversation for your records. Mark down who you talked to and what was said.
- Provide complete, accurate information.
- Find out the complete name of the underwriting insurance company in which your coverage is to be placed.
- Ask for copies of all documents for your records before you leave the office.

It is very important to be familiar with your automobile insurance policy before you need it. Read the policy thoroughly so you know what is covered and what is excluded. Call your company or agent/broker if you don't understand any item in your policy. If you feel you have been treated unfairly by an agent/broker or a company when purchasing insurance, then contact us.

AUTOMOBILE INSURANCE FRAUD

Red Flags

Automobile insurance fraud in California has historically taken several forms. The most common fraud schemes involve automobile property and automobile accidents.

Automobile Property - This type of fraud most often involves dishonest auto body and repair shops and/or insureds who may employ a variety of illegal or questionable techniques including:

- Reporting parts of vehicles as damaged or lost when in fact they were not damaged or lost prior to the shop receiving the vehicle.
- Making final cost in excess of the original estimate of damage.
- Billing for repairs that were not authorized.
- Charging for genuine parts when after-market or used parts from junkyard were used.
- Pounding out dents or using bondo when charging for brand new auto parts.
- Falsely reporting stolen vehicles or vandalism of vehicles in order to collect insurance monies.

It is always very important for the consumer to review carefully all paper work from auto body and repair shops in order to protect against potential fraud. Also, consumers should be cautious of any auto body or repair facility that makes referrals to medical or legal offices. This practice may be an indicator of “capping.” Capping (a felony in California) is the illegal referral of clients to legal offices for a fee.

Insurance Terms

TERMS COMMONLY USED IN PRIVATE PASSENGER AUTOMOBILE POLICIES

Actual Cash Value (ACV) – Unless otherwise defined in the policy, actual cash value in California means fair market value. The fair market value of an item is the dollar amount that a knowledgeable buyer (under no unusual pressure) is willing to pay, and a knowledgeable seller (under no unusual pressure) is willing to accept.

Additional Equipment Endorsement – Provides coverage for certain parts and equipment that are not installed by the manufacturer. Coverage is subject to a maximum limit listed on the endorsement.

Adjuster – The person who evaluates the damage caused by an accident or other covered loss and determines the amount to be paid under the policy terms.

Agent – A licensed individual or organization authorized to sell and service insurance policies for an insurance company.

Assigned Risk – A driver who is not acceptable to a standard lines insurance company due to a poor driving record and is assigned to an insurance company participating in the assigned risk pool. All insurance companies licensed to sell auto insurance in California agree to accept a share of high-risk drivers based on the percentage of auto policies they issue in the state. (See CAARP)

Automobile Insurance – A type of insurance that protects against losses involving automobiles. Auto policies contain a variety of coverages that can be purchased depending upon the needs and wants of the policyholder. Liability for bodily injury and property damage, medical payments, uninsured motorist, comprehensive, and collision are some of the common coverages offered under an auto insurance policy.

Binder – A short-term agreement that provides temporary insurance coverage until the policy can be issued or delivered.

Broker – A licensed individual or organization who, on your behalf, sells and services insurance policies.

Broker-Agent – A licensed individual who can act as an agent representing one or more insurance companies and also as a broker dealing with one or more insurance companies representing your interests.

Broker Fee – Any fee charged by an insurance broker to provide services that arise out of the transaction of insurance.

Broker Fee Agreement – The contract between the policyholder and the broker which also specifies the charges for the services rendered by the broker.

California Automobile Assigned Risk Plan (CAARP) – This plan is available when a driver is unable to purchase private passenger or commercial liability auto coverage because of a poor driving record. (See Assigned Risk)

Cancellation – The termination of an insurance policy before its normal expiration date.

Claim – Notice to an insurance company that a loss has occurred which may be covered under the terms and conditions of the policy.

Commission – A portion of the policy premium that is paid to an agent by the insurance company as compensation for the agent's work.

Commissioner of Insurance – This is the title of the head of the California Department of Insurance.

Comparative Negligence – The percentage of fault shared by each driver in an accident in which both contribute to causing the collision.

Comprehensive Coverage – Pays for damage to your car caused by reason other than collision, such as fire, theft, vandalism, windstorm, flood, et cetera.

Collision – Pays for damage to your car caused by physical contact with another vehicle or with another object, such as a tree, boulder, guardrail, structure, or person.

Claim – The protection extended under an insurance policy.

Declarations (DEC) Page – Usually the first page of an insurance policy that contains the full legal name of your insurance company, your name and address, the policy number, effective and expiration dates, premium payable, the amount and types of coverage, deductibles, the vehicle(s) insured, and the vehicle identification numbers (VIN).

Deductible – The amount of the loss that the policyholder is responsible to pay up-front before covered benefits from the insurance company are payable. This is applicable to comprehensive or collision coverage only.

Endorsement – A written agreement that changes the terms of an insurance policy by adding or subtracting coverage.

Exclusion – A contractual provision in an insurance policy that denies or restricts coverage for certain perils, persons, property, or locations.

First Party – The policyholder (insured) in an insurance contract.

Insured – The policyholder(s) entitled to covered benefits in case of an accident or loss.

Insurer – The insurance company who issues the insurance and agrees to pay for losses and provide covered benefits.

Liability Insurance – Coverage for a policyholder's legal liability resulting from injuries to other persons or damage to their property.

License – A certificate of authority issued by the Department of Insurance to an insurer, agent, broker, or broker-agent to transact insurance business.

Limits – The maximum amount of benefits the insurance company agrees to pay in the event of a loss.

Loan Gap Coverage – This coverage pays the difference between the fair market value of your vehicle and the loan balance owed to your lender. This coverage is available on new vehicles only.

Low Cost Auto – A pilot program for the residents of eligible counties only, who meet specific lower income requirements. (Administered by CAARP)

Medical Payments Coverage – Covers the medical costs (up to the specified limit) resulting from an auto accident for you, your family, or others in your car. This coverage pays regardless of fault.

Non-Renewal – The termination of an insurance policy at its normal expiration date.

Personal Lines – This term is used to refer to insurance for individuals and families, such as private passenger automobile and homeowner policies.

Policy – A contract that states the rights and duties of the insurance company and the insured.

Premium – The price of insurance paid to the insurance company for a policy.

Premium Finance Company – A lending institution that finances automobile insurance premium for a fee.

Private Passenger Automobile – Four-wheeled motor vehicles of the private passenger, station wagon, or van type. Private passenger automobiles are designed for use on public highways and subject to motor vehicle registration.

Producer – A term used by the insurance industry to refer to agents and brokers.

Quotation – An estimate of the cost of insurance based on the information supplied to the agent, broker, or insurance company.

Recision – The cancellation of a policy back to its effective date resulting in a return of all premium charged.

Rental Reimbursement Coverage – This coverage pays your expenses to rent an auto if you have a loss covered under Comprehensive or Collision benefits. Coverage is sold based on a daily amount of expense subject to a maximum limit.

Replacement Cost – The amount that it costs to replace lost or damaged property with new property of like kind or quality in the local market.

Salvage – Damaged policyholder property that is legally signed over to an insurer in a loss settlement. Insurance companies sell salvaged property in order to reduce their overall monetary loss.

Second Party – The insurance company in an insurance contract.

Subrogation – The process of recovering the amount of claims damages paid out to a policyholder from the legally liable party. When a company pursues the legally liable third party, they are required to include the policyholder's deductible in the recovery process.

Surcharge – An extra charge applied to the premium by an insurance company, usually applied to an at-fault accident or moving violation.

Third Party – An individual other than the policyholder or the insurance company who has suffered a loss and may be able to collect compensation under the policy due to the negligent acts or omissions of the policyholder.

Total Loss – Damage or destruction to real or personal property to such extent that it cannot be rebuilt or repaired to its condition prior to the loss or when it would be cost prohibitive to repair or rebuild in comparison to the value of the property prior to the loss.

Towing Coverage – Addition to an automobile policy that pays a specified amount for towing and related labor costs.

Underinsured Motorist Endorsement – Addition to a Personal Automobile Policy (PAP) that covers an insured who is involved in a collision with a driver who does not have sufficient liability insurance to pay for the damages.

Uninsured Motorist Coverage (UMC) – Provides coverage for a policyholder involved in a collision with a driver who does not have liability insurance or who does not have sufficient liability limits to pay for damages. UMC comes in two parts: uninsured motorist bodily injury (UMBI) and uninsured motorist property damage (UMPD). UMBI coverage pays for injuries to you or any person in your car when there is a collision with an uninsured driver. UMPD coverage pays for the property damage to your car when there is a collision with an identified uninsured driver. UMC must be offered when you purchase liability coverage for your auto. If you decline UMC, you must sign a declination waiver.

Disclaimer

We are required by law to disclose the following:

- 1.** This brochure is for informational purposes only.
- 2.** The actual terms of an insurance policy and related law prevail over the information provided in this brochure.
- 3.** In the case of a dispute, the insurance policy is controlling and a court of law will rely on the policy as it is written to resolve the dispute.
- 4.** The policy is the only document that describes what the insurance company will pay.
- 5.** The information contained in this brochure does not create rights or obligations on the part of the insured, the insurer, the agent, the broker, or the state.
- 6.** This brochure is not intended to be a substitute for the actual insurance policy.

Where to Call When You Need Assistance

AUTOMOBILE INSURANCE RESOURCES

California Low Cost Automobile Insurance Program

For more information about this state-sponsored plan for low-income drivers, call **(866) 602-8861**

California Automobile Assigned Risk Plan (CAARP)

For more information about the State's insurance plan for high-risk drivers, call **(800) 622-0954**

WEB SITES

Independent Insurance Agents of America

For information on auto insurance and where to find an independent agent near you, access their Web site at **www.iiiaa.com**

Insurance Information Institute

For information about auto insurance and links to other sites related to auto insurance, access their Web site at **www.iii.org**

California Department of Insurance

For information to help consumers on complaints or on the purchase of automobile insurance, access our Web site at **www.insurance.ca.gov**

Talk to Us

Do you have a question, comment or concern?
There are several ways to talk to us:



- Call our Consumer Hotline at (800) 927-HELP
- Telecommunication Device for the Deaf dial (800) 482-4TDD
- Telephone lines are open from 8:00 AM to 5:00 PM Pacific Time, Monday through Friday, excluding holidays



- Write: California Department of Insurance
300 South Spring St., South Tower
Los Angeles, CA 90013



- E-mail us through our Web site at:
www.insurance.ca.gov



- Visit us in person on the 9th Floor at the address above. Office Hours: Monday through Friday 8:00 AM to 5:00 PM Pacific Time, excluding holidays